



What does it mean to be an accredited investor?

Under the federal securities laws, only persons who are [accredited investors](#) may participate in certain securities offerings. One reason these offerings are limited to accredited investors is to ensure that all participating investors are financially sophisticated and able to fend for themselves or sustain the risk of loss, thus rendering unnecessary the protections that come from a [registered](#) offering.

Unlike offerings registered with the SEC in which certain information is required to be disclosed, companies and private funds, such as a [hedge fund](#) or venture capital fund, engaging in these exempt offerings do not have to make prescribed disclosures to accredited investors. These offerings involve unique risks, and you should be aware that you could lose your entire investment.

Who is an accredited investor?

An accredited investor, in the context of a natural person, includes anyone who:

- earned income that exceeded \$200,000 (or \$300,000 together with a spouse or spousal equivalent) in each of the prior two years, and reasonably expects the same for the current year, or
- has a net worth over \$1 million, either alone or together with a spouse or spousal equivalent (excluding the value of the person's primary residence), or
- holds in good standing a Series 7, 65, or 82 licenses, or
- any trust, with total assets in excess of \$5 million, not formed specifically to purchase the subject securities, whose purchase is directed by a sophisticated person, or
- certain entity with total investments in excess of \$5 million, not formed to specifically purchase the subject securities, or
- any entity in which all of the equity owners are accredited investors.

In this context, a [sophisticated](#) person means the person must have, or the company or private fund offering the securities reasonably believes that this person has, sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of the prospective investment.